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**Fifth Committee**

**Summary record of the 13th meeting**
Held at Headquarters, New York, on Monday, 16 October 2000, at 10 a.m.

*Chairman*: Mr. Rosenthal ..... (Guatemala)
*Chairman of the Advisory Committee on Administrative And Budgetary Questions*: Mr. Mselle

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*The meeting was called to order at 10.05 a.m.*

**Agenda item 116: Review of the efficiency of the administrative and financial functioning of the United Nations**

*Procurement reform* (A/54/866; A/55/127 and A/55/458)

*Outsourcing practices* (A/55/301 and A/55/479)

1. **Mr. Mselle** (Chairman of the Advisory Committee on Administrative and Budgetary Questions), introducing the report of the Advisory Committee (A/55/458) on the reports of the Secretary-General on procurement reform (A/55/127) and on measures taken to improve procurement activities in the field (A/54/866), said that Advisory Committee commended the Secretary-General for the measures taken to reform and improve the procurement function at Headquarters and encouraged him to include information on such initiatives in subsequent reports. It also recommended that experience with the Internet site should be shared with the funds and programmes of the United Nations system and that, in view of the considerable decentralization in peacekeeping procurement, the Secretary-General must ensure that there was the necessary capacity at the receiving end and a mechanism for effective monitoring at the central level. On the question of preferential treatment of vendors from the least developed countries and countries with economies in transition (A/55/127, section VIII), the General Assembly might wish to consider issuing further policy guidelines if the matter was to be pursued. With regard to the procurement-related financial regulations, the Secretariat would have to supply additional information orally to the Fifth Committee. On the subject of measures taken to improve procurement activities in the field, the Advisory Committee considered that the Secretary-General should have been able to present a concrete plan in a unified, comprehensive and detailed text.

2. Turning to the ACABQ report on outsourcing practices (A/55/479), he said that the Advisory Committee wished to know whether the scope of application of the criteria set out in the report of the Secretary-General on the subject (A/55/301) was limited to Headquarters or whether the criteria also applied to offices away from Headquarters.

3. **Mr. Niwa** (Assistant Secretary-General for Central Support Services) said that the Procurement Division was grateful for the encouragement of the reform which it was undertaking given by ACABQ and by several members of the Committee; it would continue to try to make its operations more transparent and streamlined, to be more customer-oriented, to improve geographical equity in purchases, and to be more accountable for its activities. The Internet and Intranet had been very useful in the pursuit of those goals, but the Division had not forsaken more traditional means of communication for parties lacking access to the worldwide web: last year it had disseminated information on procurement procedures in video and CD-ROM formats thanks to the generous assistance of the United Kingdom and France, and more recently it had published in the six official languages simple-to-read brochures, the text of which was also posted on the Division's web site. In addition, the Division had taken an active part in business seminars, in particular in developing countries and countries in transition, where 22 of the 26 such events were taking place in 2000; seven of the countries concerned were in Africa. Members of the Division had already spoken at events attended by a total of 1,400 vendors in all locations. The Division sent representatives to meetings in industrialized countries only if their travel and accommodation costs were reimbursed by the host country.

4. In early September the Division had established on its Intranet site a requisition-tracking system which enabled every issuing office constantly to monitor the progress of its request, so that the procurement officer handling the request was directly and publicly accountable to his client. Clearly, the Division was much changed — witness the fact that the Advisory Committee recommended other entities in the system to emulate the practices introduced by the Division (A/55/458, para. 5).

5. Following the submission of his earlier report on outsourcing practices (A/53/818) the Secretary-General had been requested to spell out the criteria regulating outsourcing; he identified four in his present report (A/55/301). However, it should be borne in mind that such criteria could not be applied inflexibly and that programme managers must be left some room for manoeuvre, for circumstances beyond their control sometimes dictated a given solution, when for example,

as often happened, outsourcing was the most effective means of coping with a temporary peak in activity.

6. The reply to the question raised by the Advisory Committee in paragraph 5 of its report (A/55/479) was that the criteria applied not only to Headquarters but also to the regional commissions, offices away from Headquarters, and tribunals.

7. **Mr. Gaubert** (France), speaking on behalf of the European Union, said that the associated countries of Central and Eastern Europe (Bulgaria, Estonia, Hungary, Latvia, Poland, Romania, Slovakia and Slovenia) and the other associated countries (Cyprus and Malta) aligned themselves with his statement. The general procurement process must be quick, efficient and economical and be supported by a mechanism for ensuring the accountability of everyone involved.

8. The European Union welcomed the encouraging progress of the reform, especially in the Procurement Division, and endorsed the ACABQ recommendations on the establishment of a stringent mechanism for monitoring procurement in the field. It stressed that the objectives of speed, efficiency and transparency must be pursued by all departments and by all field missions, although the Procurement Division did indeed have a special responsibility in that regard. It welcomed the progress made with respect to transparency, efficiency and respect for the rules of competitive bidding, as well as the more active involvement of business circles in the developing countries and the countries in transition. It noted with satisfaction the improved functioning of the Division's web site. It would like to have information about the nature and impact of the training programmes initiated in May 2000 and about the outcome of the review of the efficiency of the procurement function in the United Nations (A/55/127, section X) being conducted by consultants in conjunction with the Common Services Working Group. It would also like to know the expected publication date of the new Procurement Manual and of the revised financial rules relating to procurement. The question of the method of determining country-of-origin statistics (A/55/127, section XIII) should be examined in greater detail. It was essential for the Secretariat to submit quickly to the Committee, as requested in resolution 54/17 and as ACABQ recommended, a detailed plan of measures to correct procurement problems in the field. The European Union, while wishing the Organization to endeavour to enhance the transparency of the process, recognized that proposed prices were read out at public bid openings, when that was justified, and took it that the Secretariat would communicate fuller information on the matter during the informal consultations. A lasting solution would have to be found for the current late payment of some United Nations suppliers. Lastly, the European Union recalled that it had been advocating since 1996 that preference in the award of contracts should be given, other things being equal, to vendors from countries which were not in arrears.

9. **Mr. Nakkari** (Syrian Arab Republic) said that his delegation had noted an improvement in transparency but pointed out that in paragraph 12 of its report the Advisory Committee had requested more details of the procurement-related financial regulations and rules. The consideration of the question of outsourcing at the previous session of the General Assembly had produced a consensus on the need for additional information, especially about the measures regulating outsourcing. With regard to the criteria established by the Secretariat pursuant to resolution 54/256, and more particularly the criterion of cost-effectiveness and efficiency, his delegation did not see the need for outsourcing when the Organization was itself able to attain the goals set in the matter. The criterion of safety and security could best be applied by the permanent staff. In that connection the 1999 report of the Joint Inspection Unit stressed the reliability and commitment of the permanent staff. On the question of maintaining the international character of the Organization, recourse to vendors employing persons of various nationalities was a totally inappropriate formula. Lastly, where maintaining the integrity of procedures was concerned, the proposed criteria were similar to the ones regulating business activities, and the absence of a mechanism clearing defining the activities which could be outsourced was regrettable. The Secretariat should obtain the support of the General Assembly for all activities in that category.

10. **Mr. Albrecht** (South Africa) said that his delegation welcomed the excellent spirit of cooperation shown by the Procurement Division and noted with reference to the annex of document A/55/458 that the Division had gone to great lengths to meet the needs of the Member States.

11. **Mr. Niwa** (Assistant Secretary-General for Central Support Services) said that procurement activities in the field were conducted by the missions in question, which reported to the Department of

Peacekeeping Operations. The Manual was updated as new elements requiring inclusion appeared; "version 2", taking account of a number of recent initiatives and the experience acquired since the publication of the first version, should be ready by the end of the year.

12. Short lead times for delivery were an extremely important factor, but the Procurement Division also had to bear in mind the imperatives of transparency — it must give vendors time to participate in the procurement process — and cost-effectiveness. Sometimes speed was a critical factor, especially in the case of missions away from Headquarters; it was then necessary to make a very early start on the procurement planning in order not to have to sacrifice transparency and cost-effectiveness. That of course implied close collaboration with the Department of Peacekeeping Operations.

13. A big effort was being made with respect to training, especially at the inter-organization level. Unfortunately, the Division's heavy workload left it little time for training, but it was well aware that more had to be done in that area.

14. Consultants had been recruited at the inter-organization level to help to study the question of performance indicators, especially for procurement. The Division knew that it still had some way to go in that respect, but the task was not easy and it was difficult to formulate indicators properly tailored to procurement activities. The system for monitoring requests for supplies established in September should perform well in that connection by indicating how the requesting parties judged the Division's performance. That initiative, which the other funds and programmes would do well to copy, should help both to define the performance indicators and to identify the best examples to be followed.

15. Prices were read out in the case of announcements of the award of contracts but not in the case of invitations to bid, when other criteria were more suitable. That practice was not peculiar to the Secretariat.

16. As to whether it would be possible to formulate more specific criteria or instructions for outsourcing, the decision to outsource was often a subjective one. It hardly seemed possible to carry the thinking that had gone into the identification of the general rules any further, but any suggestions would be welcome.

17. The Secretariat needed the General Assembly to give it more specific guidelines on the question of geographical distribution and preferential treatment — the problem being to reconcile sometimes conflicting objectives, for the Secretariat must also endeavour to act as efficiently and economically as possible.

18. **Ms. Sanchez Lorenzo** (Cuba) said that her delegation drew attention to section VIII of the report of the Secretary-General (A/55/127) on the question of preferential treatment. It noted that modalities for preferential treatment existed only in UNESCO and UNHCR and were used only informally for low-value local purchases. The Committee should examine the question in order to ensure that it was taken into account in the financial rules. Furthermore, the agreement that the revised text of the procurement-relation financial rules should be published had not yet been given effect. Her delegation wished to know where things stood with the preparation of the text.

19. **Mr. Wins** (Uruguay) said that Uruguay welcomed the holding of briefings in developing countries as a means of expanding the geographical distribution of the enterprises on the vendor roster.

*The meeting rose at 11.15 a.m.*